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C O N F I D E N T I A L SECTION 01 OF 02 ASUNCION 001174

SIPDIS

STATE FOR EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: DECL: 09/15/2010

TAGS: [PGOV](#) [PREL](#) [ECON](#) [PA](#)

SUBJECT: PARAGUAY SUMMIT: OPPOSITION ABSENT, BUT GOOD WORDS
ON MONEY LAUNDERING AND BUDGET

Classified By: PolOff Sterling D. Tilley, reasons 1.4(b) and (d).

[1](#)1. (U) Summary. On 9/13 President Duarte convened a meeting with senior officials from the executive, legislative and judicial branches to discuss issues that included foreign relations, internal security, corruption, the 2006 budget, and Mercosur. Duarte, Senate President Carlos Filizzola, Country in Solidarity Party (PPS), and Supreme Court Chief Antonio Fretes signed an agreement on these issues. The Ambassador discussed the outcome of the summit with Alejandro Velasquez, a Colorado Party Senator, who indicated that Duarte has taken a nationalist stance on foreign policy and also discussed the passage of the anti-money laundering law, the 2006 budget, and renegotiation of the agreements of the Itaipu and Yacyreta Dams. End Summary.

[1](#)2. (U) On September 13, the Fourth Summit of the Three Government Branches completed its work after 4 hours of discussions. The summit was held in the Congress and headed by President Nicanor Duarte Frutos, Senate President Carlos Filizzola, PPS, and Supreme Court Chief Justice Antonio Fretes, in addition to other high ranking officials from the three branches. (NOTE: Representatives of the Authentic Radical Liberal Party (PLRA), Beloved Fatherland Party (PPQ), and the National Union of Ethical Citizens Party (UNACE) did not attend, qualifying such meetings as a waste of time rather than a genuine forum to discuss serious issues. End note.) After the meeting, Duarte Frutos held a press conference announcing some details of the signed agreement, which highlighted the government's achievements as well as its primary priorities.

[1](#)3. (C) The Ambassador discussed the substance of the meeting with Alejandro Velasquez, a Colorado Party (former UNACE) Senator and strong supporter of the U.S. Velasquez stated that President Duarte started the discussion of foreign relations by saying that Paraguay is recovering the dignity that has been smeared by its neighbors who do not respect agreements or understandings. Duarte continued, "when we reached agreements with Cuba and Venezuela we were accused of being leftists. Now that we are also expanding ties with the U.S. we are being accused of being rightists. Neither is correct. We are pursuing Paraguay's national interest and we will continue to have good relations with all of those countries and others."

[1](#)4. (C) According to Velasquez, Duarte said that he would like to see the passage of anti-money laundering (AML) legislation and urged Velasquez to coordinate with Senators Gustavo Pedrozo and Bader Rachid, the presidents of the Finance and Legislative committees reviewing the law. (COMMENT: Rachid has been a strong opponent of anti-money laundering legislation. Asking Velasquez, a well known US ally, rather than more powerful Senators to push the law is a mixed signal. However, it is positive that Duarte mentioned it. End Comment). Duarte urged Congressional leadership against exceeding the budget caps for 2006. He said that Paraguay sought to re-negotiate the agreements on the Itaipu and Yacyreta Dams. At this current time, he said, Paraguay is paying 11 percent interest on the debt while market rates were closer to 4 1/2 percent. Duarte believes it would be fair for Paraguay to pay 7 percent, which would save Paraguay USD 150 million annually money he wants to use for social programs.

[1](#)5. (C) Comment: The opposition parties discount the periodic "Summit of the Three Powers" as little more than a public show. For the first time, the leading opposition parties refused to send representatives. Duarte uses these meetings to demonstrate his administration's commitment on key issues and consolidate support from other segments of the government for his agenda. His appeal for adoption of the AML and his call to hold the line on the budget are noteworthy, particularly in view of the fact that supporters from his own party represent some of the more serious obstacles on both accounts.

